

Issued October 1941

Reserve.

UNITED STATES DEPARTMENT OF AGRICULTURE
Agricultural Adjustment Administration
Washington, D. C.

COTTON MARKETING QUOTAS IN 1942

On Saturday, December 13, 1941, the Nation's cotton farmers will go to the polls to vote on whether marketing quotas will remain in effect on the 1942 cotton crop.

Cotton producers have used marketing quotas, authorized under the Agricultural Adjustment Act, for the past four seasons in conjunction with the Agricultural Conservation Program. For each of the crops—1938, 1939, 1940, and 1941—marketing quotas for cotton were approved by majorities ranging from 84 to 92 percent of the farmers voting. This year, as was the case in December 1940, wars continue to rage in a large part of the world, and cotton farmers again will vote under critical conditions.

In order that cotton farmers may have a clear understanding as a basis for voting in the referendum, many questions which naturally arise in a discussion of this kind are presented below.

The Cotton Situation

1. Q. What, briefly, is the present cotton situation?

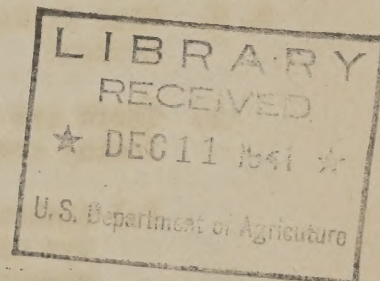
A. The world cotton situation at a glance:

(1) Supplies

- (a) The supply of all cotton in the world on August 1, 1941, was about 48,500,000 bales, as compared with 48,900,000 bales a year earlier.
- (b) The supply of American cotton in the world on August 1, 1941, was about 23,800,000 bales, as compared with 24,900,000 bales a year earlier. Of this amount, about 23,000,000 bales were in the United States. This includes a 12-million bale carry-over and an estimated 11-million bale crop in 1941. This is approximately a two-year supply in this country. The carry-over of American cotton in the United States on August 1, 1940; was about 10,500,000 bales.

(2) Markets - Markets will likely take slightly less than one bale out of every two bales on hand.

- (a) Export markets will take about one bale in every 23 now in the United States. Our exports for the season ending July 31, 1941, amounted to about 1,100,000 bales.



(b) Domestic markets will take about 10 bales in every 23.
We used about 9-1/2 million bales during the 1940-41 season, a record high mark in domestic consumption.

(c) Combined export and domestic markets will use about 11 million bales of the 23-million-bale supply.

2. Q. How do cotton marketing quotas fit into the efforts of farmers to aid in national defense?

A. National defense requires a balanced production - the right amount of each commodity. Supplies of cotton exceed present needs, including a safe reserve. On the other hand, supplies of certain other commodities must be increased. Marketing quotas are a part of the plan under which cotton farmers may adjust their operations to meet the goal of "food for freedom." As cotton farmers devote a larger part of their resources toward increasing supplies of the deficit defense crops, marketing quotas may be used to protect for each farmer who is aiding the defense effort, his proportionate share of the limited cotton market.

3. Q. What factors have influenced the price of the 1941 crop cotton?

A. There are many factors now affecting cotton prices. The following are among the more important:

(a) Although there is a large surplus of cotton, over half of the carry-over of 12 million bales at the beginning of the season was owned by the Government. Since August 1, the Government has placed an additional 160,000 bales in producer pools to be held until next spring. Therefore, a substantial part of the carry-over on August 1 has not been available to domestic mills.

(b) The 1941 loan program has provided a floor under cotton prices at 85 percent of parity, or an average of 14.02 cents per pound.

(c) A large majority of farmers -- over 90 percent -- were cooperators in the AAA program and, therefore, were eligible for a loan at the full rate. These cooperators were in position to place their cotton in the Government loan, in case they were not offered a price equal to or above the loan rate.

(d) An increase in the general price level of all commodities is another factor which tended to raise the price of cotton. However, it is evident that cotton prices would not have continued upward to the present level, if the total supply had been available to the trade.

(e) The increase in domestic consumption, which only partly offsets the drastic loss in exports, has been a result of a greatly increased demand for cotton cloth. In fact, the price of cotton cloth has increased more rapidly than the price of cotton. In April, 1940, the average price of 17 constructions of cloth was 22.12 cents, while the cotton which went into that cloth averaged 10.72 cents per pound. By April, 1941, the price of the same cotton had risen to 11.24 -- an increase of about one-half cent per pound -- while the cloth prices had increased to 31.05, or an increase of 8.93 cents per pound. Since April 1941, the price of cotton has gone up faster than the wholesale price of cloth. However, the spread between the price of cotton cloth and the price of the cotton that goes into that cloth, has, for the last few months, averaged greater than in any period in the available series, extending back to 1925.

4. Q. How has the present 85-percent-of-parity loan program supported cotton prices this season?

A. The present loan program has been one of the main factors in the sharp increase in cotton prices in recent months. Prices in the United States have remained considerably above cotton prices in other countries. For example, the Department of Agriculture in September announced two export subsidy programs designed to make American cotton competitive with other growths. One of these provided exporters with the opportunity of obtaining government-owned cotton from the 1937 crop at a price of 13-1/4 cents a pound for 15/16-inch middling in amounts equal to the amounts exported. In a further effort to offset the price disparity, a cash subsidy was offered on cotton exported to Canada. For the first 30 days of this program, this rate varied between 2-1/2 and 3 cents a pound.

5. Q. How is the cotton marketing quota program related to the loan program?

A. The law provides that no loan program can be offered to farmers during any marketing year for which quotas have been voted down in a grower referendum. To make loans on an uncontrolled surplus would be an unwise expenditure of public funds.

6. Q. How has the present war affected consumption and exports of American cotton?

A. During 1940 the wars abroad cut off many of our foreign cotton customers. The number of countries able to import American cotton is even smaller now than a year ago. While increased industrial activity in this country, due in part to the defense program, has tended to increase greatly our own use of cotton, the loss of exports is far greater than the increase in domestic consumption. Thus, the present war situation is not, in itself, proving a benefit to the American cotton farmer.

MAY 18 1945

7. Q. How does the position of the American cotton farmer today compare with his position in the early part of the First World War?

A. Although cotton producers today are facing serious difficulties, they are in a much stronger position to absorb the shock of war than they were in 1914-15. There is in the AAA farm program the machinery for dealing with many important domestic and foreign problems affecting the national welfare. Through a democratic procedure, more than 2 million cotton farmers are cooperating in a effort to bring the supply in line with effective demand. The cotton loan prevents collapse of the price structure. Our concerted efforts of recent years to make an improvement in the domestic market are now bearing fruit. Export payments have been used in the past, and are being used again on a limited scale, to make it possible for American cotton to compete in price with foreign cotton in foreign countries. All the while, the American cotton farmer is conserving the land for the long-time welfare of his family and his nation. Through the use of marketing quotas and allotments, more land is made available for the production of food and feed crops for home use.

8. Q. What is the current cotton export situation?

A. During the 1939-40 season, the United States exported more than 6 million bales of cotton. However, during the following season which ended July 31, 1941, our exports amounted to only 1,100,000 bales. Since this slump was due primarily to the war and naval blockades, there is little reason to believe that exports will be increased to any great extent during the present season. Other principal reasons for our small exports, in addition to the war, include: (1) The low price of foreign cotton as compared with American cotton; (2) restrictions on shipping facilities; and (3) necessity for belligerent nations to conserve American exchange for the purchase of war materials.

9. Q. What is the current situation with respect to domestic consumption?

A. Domestic consumption of American cotton in the United States for the 1940-41 season was the highest on record. We used about 9,500,000 bales, which was some 2,000,000 bales above domestic consumption for the preceding year. With employment and industrial activity expected to continue high, and with large governmental purchases of cotton textiles expected, the outlook for domestic consumption during the current season remains favorable. However, our present mill facilities and current uses of cotton may be limiting factors in any great increase in domestic consumption above the 1940-41 level. For example, mill activity during August, 1941, was at 125 percent of capacity, and has remained above 100 percent of capacity for each of the first 8 months of the 1941 calendar year. (Capacity in mill operation is based on a two-shift, 80-hour week.)

10. Q. How much cotton do we have on hand at the present time?

- A. The carry-over of American cotton in the United States on August 1, 1941, was slightly more than 12 million bales, as compared with only 10-1/2 million bales on August 1, 1940. Since the 1941 production of American cotton is estimated at 11 million bales, this will give us a supply of 23 million bales of American cotton in the United States for the current season. Under existing conditions, this is approximately a two-year supply.

How Quotas Operate

11. Q. What is a farm marketing quota?

- A. The 1942 marketing quota for a farm will be the cotton acreage allotment multiplied by the actual or normal yield, whichever is greater, plus any carry-over cotton which could have been marketed without penalty in 1941.

12. Q. If marketing quotas are in effect, how much cotton may a farmer sell without penalty in 1942?

- A. He may sell an amount of cotton equal to the farm marketing quota. As in previous years, a farmer who plants within his acreage allotment may sell without penalty all the cotton he produces in 1942.

13. Q. What are the marketing quota penalties?

- A. If a farmer overplants his acreage allotment, he will be subject to a penalty on cotton marketed in excess of his quota, at a penalty rate per pound of 50 percent of the basic loan rate applicable to cooperators. In addition, he will not be eligible for parity payments, and, if he has knowingly overplanted, he will not get conservation payments. If a loan program is in effect, he can obtain a loan only on the amount of cotton subject to penalty and then only at 60 percent of the rate offered to cooperators.

14. Q. May a farmer sell without penalty cotton carried over from a previous year?

- A. If the cotton was not subject to penalty in 1941, it can be sold at any time without penalty. If there is carry-over cotton which is still subject to penalty in 1942, it can be sold without penalty to the extent that 1942 production and carry-over penalty-free cotton is less than the 1942 marketing quota for the farm. For example, if a farmer has 10 bales of carry-over penalty cotton and his 1942 quota is 10 bales, but he produces only 4 bales in 1942, he may sell the 4 bales of 1942 cotton and as much as 6 bales of the carry-over cotton without paying a penalty.

15. Q. Do marketing quotas affect the acreage allotment or the normal yield of a farm?

A. No. The acreage allotment and the normal yield established for a farm will be the same, regardless of whether marketing quotas are in effect.

16. Q. Do marketing quotas affect payments which cotton producers may receive in 1942?

A. No. Producers who comply with the 1942 Agricultural Conservation Program will receive their usual AAA payments, regardless of whether marketing quotas are in effect.

17. Q. Will quotas apply to all cotton?

A. Quotas will apply to all cotton except (1) cotton with a staple length of 1-1/2 inches or more and (2) cotton grown by publicly-owned experiment stations for experimental purposes only.

18. Q. Must the penalty be paid on all cotton marketed in excess of the farm marketing quota?

A. Yes; with one exception--the penalty does not apply to cotton produced in 1942 on any farm with a cotton allotment and on which the production in 1942 is 1,000 pounds of lint cotton or less. However, if the farm produces more than 1,000 pounds of lint cotton, a penalty would be due on all cotton produced in excess of the marketing quota. For example, if the marketing quota is 900 pounds and the farm produces 1100 pounds, then 200 pounds would be subject to penalty.

19. Q. What can a producer do about his farm marketing quota when it seems unfair to him?

A. The producer may appeal to a review committee, which is made up of farmers who are not members of the committee which established the farm acreage allotment. It is the duty of the marketing quota review committee to determine whether the quota was established according to law.

20. Q. If marketing quotas are in effect for 1942, will they be applicable to States, counties, and communities where the favorable vote was less than the required majority?

A. Yes. The cotton problem is a national problem and cannot be confined to any State or locality. Consequently, quotas, if voted into effect, will apply wherever cotton is produced.

21. Q. How are cotton loans affected by marketing quotas?

A. The Agricultural Adjustment Act of 1938 specifically provides that, if quotas are rejected by vote of the producers in the referendum, no loans can be made from the date the result of that referendum is proclaimed until the next succeeding marketing year, which, in this case, would be August 1, 1943.

22. Q. Who will be eligible for loans, if they are made available?

A. Producers who do not knowingly overplant their cotton acreage allotment are eligible for loans on all of the cotton they produce. Those who knowingly overplant their allotments are eligible for loans only on cotton produced in excess of their marketing quotas, and then at only 60 percent of the rate offered to cooperating producers.

23. Q. What do marketing quotas mean to individual farmers?

A. Marketing quotas are the means by which each farmer is allotted his fair share of that amount of cotton which can be marketed at reasonable prices. Cooperators -- and the vast majority of cotton farmers do participate in the program--regard marketing quotas as a necessary safeguard to their welfare. It is the producer who exceeds his acreage allotment who is subject to penalties if marketing quotas are approved.

24. Q. When can cotton marketing quotas be used?

A. Marketing quotas can be proclaimed only when the supply of American cotton is more than 7 percent above normal. The normal supply, as of August 1, 1941, was 18,200,000 bales. As defined by law, this is made up of a normal year's domestic consumption and exports, plus 40 percent of this total as an allowance for a normal carry-over. This year the supply of American cotton in the world is actually 23,800,000 bales, or nearly 31 percent above normal.

25. Q. How will the outcome of the referendum on December 13 affect marketing quotas for 1942?

A. The Secretary of Agriculture has proclaimed marketing quotas for 1942, but the quotas will not be in effect unless two-thirds of the cotton farmers voting by secret ballot in the forthcoming referendum give their approval.

26. Q. Who is eligible to vote in the referendum?

A. All 1941 cotton producers are eligible to vote.

27. Q. When and where may farmers cast their ballots in the cotton marketing quota referendum?

A. All voting will take place on Saturday, December 13, 1941. Polling places will set up in every cotton-producing community in the United States, in order that cotton farmers will not have to travel far from home in order to cast their ballots.

Up To Farmers

For the past eight years cotton farmers have joined wholeheartedly with producers of other crops in a cooperative effort to make a better living from the soil and to raise the general level of American agricultural life. Since 1938, more than 90 percent of our cotton growers in the country have participated in the AAA Farm Program.

The results of the four previous votes on marketing quotas are evidence of cooperation among cotton farmers. It is now up to farm farmers to decide again whether they will continue to use marketing quotas.

Marketing quotas will not be in effect on the 1942 cotton crop unless at least two-thirds of the producers who vote in the referendum on December 13 give their approval.

#